

TOWN OF VIOLA
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2007



GRABOWSKI, SPARANO & VINCELETTE

CERTIFIED PUBLIC ACCOUNTANTS
1814 NEWPORT GAP PIKE
WILMINGTON, DELAWARE 19808

TELEPHONE (302) 999-7300
TELEFAX (302) 999-7183

JOSEPH C. SPARANO, CPA
CHARLES J. VINCELETTE, CPA
GLENN F. DAVIS, CPA
RENEE A. VILLANO, CPA

MEMBER AMERICAN INSTITUTE OF CPA'S
DELAWARE SOCIETY OF CPA'S

THOMAS J. GRABOWSKI, CPA
CONSULTANT

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Viola
P.O. Box 121
Viola, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Viola, State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2007. The Town of Viola's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Viola's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2007 and detail any instances of noncompliance.

The Town of Viola received municipal grant funds under the following program for the year ended June 30, 2007:

Municipal Street Aid

FINDING NO. 07-1 During completion of the Town of Viola's program checklist for the municipal street aid grant, it was noted that due to the lack of personnel, there is an inherent weakness in the Town's internal control over the Municipal Street Aid Fund. The Treasurer and President control all the cash functions for the Town, which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

RECOMMENDATION The Town should obtain the most recent Guidelines for Municipal Street Aid Funding issued by the State of Delaware Office of Auditor of Accounts, dated March, 2006, and ensure that all individuals associated with the disbursement and reporting of Municipal Street Aid funds be aware of the requirements. The Town should segregate duties related to collection and disbursement of Municipal Street Aid Funds to more than two Town board members so that additional controls over the funds can be established.

TOWN'S PLAN FOR CORRECTIVE ACTION:

The Town will obtain a copy of the most recent Guidelines for Municipal Street Aid Funds. It would seem more efficient for the auditors to have included the guidelines and outlines exactly what they found deficient.

FINDING NO. 07-2 During the completion of the Town of Viola's program checklist for the municipal street aid grant, it was noted that the Town keeps all funds received from the state municipal aid fund in a separate bank account, but due to administrative misunderstanding, the account does not have the designation Municipal Street Aid Fund (MSAF) as required by Delaware Code Title 30, Chapter 51, Section 5165(a). Failure to comply with the provisions of the Delaware Code relating to the administration of grant funds may affect future funding.

RECOMMENDATION The Town should designate the separate bank account as Municipal Street Aid Fund (MSAF) as required by Delaware Code.

TOWN'S PLAN FOR CORRECTIVE ACTION:

The current fund is designated as a Municipal Aid Fund on the actual checks. New checks are being ordered and the old ones destroyed. The new checks will have the title designated as Municipal Street Aid Fund.

FINDING NO. 07-3 During the completion of the Town of Viola's program checklist for the municipal street aid grant, it was noted that the check from the State of Delaware to the Town of Viola for Municipal Street Aid Funds was dated October 13, 2006, but due to lack of full time personnel, the check was not

deposited into the bank until December 11, 2006. The agreed-upon procedures checklist requires a finding if the deposit is more than one (1) day different than the receipt date. Failure to comply with guidelines relating to the administration of grant funds may affect future funding.

RECOMMENDATION The Town should deposit all Municipal Street Aid funds on a timely basis.

TOWN'S PLAN FOR CORRECTIVE ACTION:

As previously pointed out the Viola Town Council has no paid staff. All members have full time jobs. The banking for the town is done in as timely a manner as is possible.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 04-1 During completion of the Town of Viola's program checklist for the municipal street aid grant, it was noted that their cash internal control structure over municipal street aid has no segregation of duties due to the lack of personnel. The Treasurer and President controls all the cash functions for the Town, which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

CURRENT STATUS See Finding 07-01.

FINDING NO. 04-2 During completion of the Town of Viola's program checklist for the municipal street aid grant, it was noted that their financial documents and transactions were administered in accordance with the applicable laws and regulations, and the financial report submitted to the Office of the State Treasurer was accurate, but the financial report was not submitted timely for the year ended June 30, 2004.

CURRENT STATUS The financial report for the year ended June 30, 2007 was timely filed.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Viola's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Grabowski, Sparano
Vinclette, CPA*

Wilmington, Delaware
December 17, 2007